



2011 CALIFORNIA VOLUNTEER REFERENCE MANUAL – Introduction

State and Federal Differences

California does not tax:

- Interest income from savings bonds, U.S. Treasury Bills, or any other bonds of the U.S. or U.S. Territories.
- State income tax refunds.
- Unemployment compensation and paid family medical leave.
- Social security benefits.
- Tier 1 and tier 2 railroad retirement benefits.
- California lottery winnings.

California does tax:

- Foreign earned income.
- Interest income from non-California state and local bonds.
- Interest income from District of Columbia bonds issued after December 27, 1973.
- Interest income from municipal bonds issued by a county, city, town, or other local government unit in a state other than California.
- Foreign social security income.

California law differs from federal law with regard to certain itemized deductions.

California does not have the earned income credit.

California disallows some of the federal adjustments to gross income.

California offers partial conformity to federal provisions. Refer to FTB Publication 1001, *Supplemental Guidelines to California Adjustments*, for important differences.

California allows contributions to many different funds.

Under federal law, a spouse may seek relief in instances where a refund on a joint return is used to pay (offset) a debt of the other spouse. California does not conform to this provision.

Example: In 1998, Sam was a full-time student and Sally was employed. Sam and Sally filed a joint tax return. Sam and Sally's refund was used to offset past-due child support owed by Sam. For federal purposes, Sally is an injured spouse. Thus, Sally may claim her share of the refund on federal Form 8379, *Injured Spouse Allocation*. California does not conform to this provision.